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## Mexico

## Citrus

## Annual Report

## 2007

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**Report Highlights:**

MY 2007/08 production for fresh oranges is estimated to increase due to increased rainfall and favorable weather conditions forcing trees into flowering. The MY 2007/08 production for limes is forecast at 2.0 MMT, also due to expected good weather conditions. Grapefruit production for MY 2007/08 will increase nearly two percent from MY 2006/07 production. Frozen concentrate orange juice production is also expected to increase in MY 2007/08 due to an increase in fresh oranges and better international prices.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Mexico [MX1]  
[MX]

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**SECTION I. SITUATION AND OUTLOOK**

MY 2007/08 production of fresh oranges is estimated to continue at the 4 million metric ton (MMT) level. Even though rain and wind from recent storms and hurricanes during August and October 2007 hit parts of Mexico, many producers estimate there could actually be more fruit at the end of MY 2007/08 due to the increase in rain. MY 2005/06 orange production was revised upward based on official estimates. Fresh orange consumption for MY 2007/08 is forecast at 3.43 MMT. This represents a slight increase over MY 2006/07, due to more affordable prices for the domestic population. Mexican orange exports for MY 2007/08 are forecast at 13,000 MT, which has been the average for exports. Exports for MY 2006/07 were revised upward due to an unusually high demand from the U.S. during the California freeze in early 2007.

Total MY 2007/08 production for Persian and Key limes is forecast at 2 MMT, due to expected good weather conditions. Although rainfall and strong winds damaged some of the Persian limes in northern Veracruz resulting in some losses, producers have indicated it was not strong enough to cause much damage. MY 2007/08 exports are forecast to be slightly lower compared to MY 2006/07 as some limes were damaged during the August/October 2007 hurricanes. Export estimates for MY 2005/06 and MY 2006/07 were revised upward.

Grapefruit production is forecast at 380,000 MT, a nearly two percent increase from MY 2006/07 production. The alternate production cycle and expected better weather conditions will help overall yields and fruit quality. MY 2006/07 production was revised upward from previous forecast due to better than expected yields. Grapefruit exports for MY 2007/08 are forecast to remain the same at 12,000 MT.

Reliable frozen concentrate orange juice (FCOJ) production numbers are difficult to obtain since there is no official statistical data available. However, according to industry sources, FCOJ production for MY 2008 (January-December) is forecast at 58,000 MT, as long as enough fresh oranges are available for the processing industry.

## SECTION II. STATISTICAL TABLES

## Fresh Orange Table

Mexico									
Oranges, Fresh					(HECTARES) (1000 TREES) (1000 MT)				
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	11/2005			11/2006			11/2007		
Area Planted	340,000	340,000	334,377	340,000	340,000	337,000	0	0	337,000
Area Harvested	320,000	320,000	321,494	320,000	320,000	322,000	0	0	323,000
Bearing Trees	64,640	64,640	64,941	64,640	64,640	65,044	0	0	65,246
Non-Bearing Trees	4,040	4,040	2,602	4,040	4,040	3030	0	0	2,828
Total No. Of Trees	68,680	68,680	67,543	68,680	68,680	68,074	0	0	68,074
Production	3,500	3,500	4,157	3,600	3,600	4,000	0	0	4,000
Imports	23	23	25	23	23	25	0	0	25
Total Supply	3,523	3,523	4,182	3,623	3,623	4,025	0	0	4,025
Exports, Fresh	10	10	12	10	10	27	0	0	13
Fresh Dom. Consumption	3,053	3,053	3,610	3,138	3,138	3,413	0	0	3,432
For Processing	460	460	560	475	475	585	0	0	580
Total Distribution	3,523	3,523	4,182	3,623	3,623	4,025	0	0	4,025

## Fresh Citrus, Other Table

Mexico									
Citrus, Other, Fresh					(HECTARES) (1000 TREES) (1000 MT)				
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	11/2005			11/2006			11/2007		
Area Planted	144,000	144,000	146,004	145,000	145,000	150,000	0	0	150,300
Area Harvested	137,700	137,700	138,353	138,500	138,500	138,500	0	0	139,000
Bearing Trees	26,851	26,851	26,978	27,000	27,000	27,000	0	0	27,100
Non-Bearing Trees	1,228	1,228	1,491	1,267	1,267	2,242	0	0	2,203
Total No. Of Trees	28,079	28,079	28,469	28,267	28,267	29,242	0	0	29,303
Production	1,800	1,800	1,852	1,850	1,850	2,000	0	0	2,000
Imports	1	1	1	1	1	1	0	0	1
Total Supply	1,801	1,801	1,853	1,851	1,851	2,001	0	0	2,001
Exports, Fresh	400	400	442	412	412	450	0	0	445
Fresh Dom. Consumption	1,095	1,095	1,097	1,124	1,124	1,231	0	0	1,232
For Processing	306	306	314	315	315	320	0	0	324
Total Distribution	1,801	1,801	1,853	1,851	1,851	2,001	0	0	2,001

## Fresh Grapefruit Table

Mexico									
Grapefruit, Fresh	(HECTARES) (1000 TREES) (1000 MT)								
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	11/2005			11/2006			11/2007		
Area Planted	18,000	18,000	17,465	18,100	18,100	17,465	0	0	17,470
Area Harvested	14,700	14,700	15,686	14,700	14,700	15,480	0	0	15,680
Bearing Trees	2,632	2,632	2,823	2,763	2,763	2,786	0	0	2,822
Non-Bearing Trees	752	752	320	639	639	357	0	0	322
Total No. Of Trees	3,384	3,384	3,143	3,402	3,402	3,143	0	0	3,144
Production	350	350	387	320	320	371	0	0	380
Imports	6	6	7	6	6	8	0	0	8
Total Supply	356	356	394	326	326	379	0	0	388
Exports, Fresh	3	3	13	10	10	12	0	0	12
Fresh Dom. Consumption	232	232	260	203	203	256	0	0	276
For Processing	121	121	121	113	113	111	0	0	100
Total Distribution	356	356	394	326	326	379	0	0	388

## Frozen Concentrate Orange Juice

Mexico									
Degrees 65Brix									
Orange Juice	(MT)								
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2006			01/2007			01/2008		
Deliv. To Processors	460,000	460,000	565,000	475,000	475,000	585,000	0	0	580,000
Beginning Stocks	1,800	1,800	1,800	1,000	1,000	1,000	0	0	1,000
Production	46,000	46,000	56,500	47,500	47,500	58,500	0	0	58,000
Imports	1,450	1,450	1,260	1,450	1,450	1,000	0	0	1,000
Total Supply	49,250	49,250	59,560	49,950	49,950	60,500	0	0	60,000
Exports	41,950	41,950	53,000	42,350	42,350	53,000	0	0	52,500
Domestic Consumption	6,300	6,300	5,560	6,600	6,600	6,500	0	0	6,500
Ending Stocks	1,000	1,000	1,000	1,000	1,000	1,000	0	0	1,000
Total Distribution	49,250	49,250	59,560	49,950	49,950	60,500	0	0	60,000

## Trade Matrixes

## Trade Matrix Fresh Concentrate Orange Juice

Fresh Concentrate Orange Juice 2009.11		Unit: Litres	
Exports for MY 2006 ( <i>Jan-Dec</i> ) to:		Imports for MY 2006 ( <i>Jan-Dec</i> ) from:	
U.S.	23,506,737	U.S.	466,963
NETHERLANDS	5,808,699	BRAZIL	49,987
BELGIUM	2,550,043	TOTAL OF OTHER	49,987
OTHER NOT LISTED	6,396,862	OTHER NOT LISTED	32
TOTAL	38,262,341	TOTAL	516,982

Fresh Concentrate Orange Juice 2009.11		Unit: Litres	
Exports for MY 2007 ( <i>Jan-Dec*</i> ) to:		Imports for MY 2007 ( <i>Jan-Dec*</i> ) from:	
U.S.	31,335,899	U.S.	378,468
NETHERLANDS	2,280,389	BRAZIL	2,606
GERMANY	1,313,152	TOTAL OF OTHER	2,606
OTHER NOT LISTED	2,134,579	OTHER NOT LISTED	247
TOTAL	37,064,019	TOTAL	381,321

\* as of July, 2007.

## Trade Matrix Orange Juice, Not Frozen

Orange Juice, Not Frozen 2009.19		Unit: Metric Tons	
Exports for MY 2006 ( <i>Jan-Dec</i> )to:		Imports for MY 2006 ( <i>Jan-Dec</i> )from:	
U.S.	13,511.702	U.S.	3,109,602
ECUADOR	135,440	BRAZIL	28,965
TOTAL OF OTHER	135,440	TOTAL OF OTHER	28,965
OTHER NOT LISTED	132,604	OTHER NOT LISTED	10,004,244
TOTAL	13,779,746	TOTAL	13,142,811

Orange Juice, Not Frozen 2009.19		Unit: Metric Tons	
Exports for MY 2007 ( <i>Jan-Dec*</i> )to:		Imports for MY 2007 ( <i>Jan-Dec*</i> )from:	
U.S.	7,723,437	U.S.	1,362,841
ECUADOR	121,660	BRAZIL	775
TOTAL OF OTHER	121,660	TOTAL OF OTHER	775
OTHER NOT LISTED	48,968	OTHER NOT LISTED	296
TOTAL	7,894,065	TOTAL	1,363,912

\*as of July, 2007.

## Trade Matrix Oranges

Table Orange		Unit: Metric Tons	
Exports for MY 2005/06 (Nov-Oct) to:		Imports for MY 2005/06 (Nov-Oct) from:	
U.S.	11,903,135	U.S.	24,965,651
NETHERLANDS	344,000	ARGENTINA	0
TOTAL OF OTHER	344,000		
OTHER NOT LISTED	42,289	OTHER	0
TOTAL	12,289,424	TOTAL	24,965,651

Table Orange		Unit: Metric Tons	
Exports for MY 2006/07 (Nov-Oct*) to:		Imports for MY 2006/07 (Nov-Oct*) from:	
U.S.	24,008,480	U.S.	11,708,702
CANADA	1,336,490		
TOTAL OF OTHER	1,336,490		
OTHER NOT LISTED	1,352,384	OTHER	0
TOTAL	26,697,354	TOTAL	11,708,702

\*as of July, 2007.

## Trade Matrix Other Citrus

Other Citrus		Unit: Metric Tons	
Exports for MY 2005/06 (Nov-Oct) to:		Imports for MY 2005/06 (Nov-Oct) from:	
U.S.	385,263,367	U.S.	302,158
NETHERLANDS	4,817,209		
TOTAL OF OTHER	4,817,209		
OTHER NOT LISTED	12,078,117	OTHER	0
TOTAL	402,158,693	TOTAL	302,158

Other Citrus		Unit: Metric Tons	
Exports for MY 2006/07 (Nov-Oct*) to:		Imports for MY 2006/07 (Nov-Oct*) from:	
U.S.	309,068,865	U.S.	177,612
CANADA	3,892,867		
TOTAL OF OTHER	3,892,867		
OTHER NOT LISTED	13,367,776	OTHER	0
TOTAL	326,329,508	TOTAL	177,612

\*as of July, 2007.

## Trade Matrix Grapefruit

Grapefruit		Unit: Metric Tons	
Exports for MY 2005/06 (Nov-Oct) to:		Imports for MY 2005/06 (Nov-Oct) from:	
U.S.	1,006,695	U.S.	6,586,840
NETHERLANDS	7,878,696		
TOTAL OF OTHER	7,878,696	ISRAEL	137
OTHER NOT LISTED	4,338,026	OTHER	100
TOTAL	13,223,417	TOTAL	6,587,077

Grapefruit		Unit: Metric Tons	
Exports for MY 2006/07 (Nov-Oct*) to:		Imports for MY 2006/07 (Nov-Oct*) from:	
U.S.	1,336,857	U.S.	7,940,456
FRANCE	1,133,892		
TOTAL OF OTHER	1,133,892		
OTHER NOT LISTED	960,696	OTHER	0
TOTAL	3,431,445	TOTAL	7,940,456

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2007.



## Key lime Wholesale Prices

<b>KEY LIME WHOLESALE PRICES (PESOS/Kg)</b>			
<b>Month</b>	<b>2006</b>	<b>2007</b>	<b>Change %</b>
<b>January</b>	3.99	3.58	(10.27)
<b>February</b>	3.82	5.23	36.91
<b>March</b>	3.09	8.12	162.78
<b>April</b>	2.85	5.24	83.86
<b>May</b>	1.89	2.12	12.17
<b>June</b>	1.85	1.93	4.32
<b>July</b>	2.33	2.49	6.87
<b>August</b>	2.73	2.79	2.20
<b>September</b>	3.34	2.75	(17.66)
<b>October</b>	2.72	2.46*	(9.56)
<b>November</b>	2.38	N/A	N/A
<b>December</b>	2.43	N/A	N/A
SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS			
AVR. EXCHANGE RATE FOR 2006 US\$1.00 = \$ 10.90 PESOS			
EXCHANGE RATE OCT. 18, 2007 US\$1.00 = \$ 10.81 PESOS			
*As of 3rd week October 2007			

## Persian lime Wholesale Prices

<b>PERSIAN LIME WHOLESALE PRICES (PESOS/Kg)</b>			
<b>Month</b>	<b>2006</b>	<b>2007</b>	<b>Change %</b>
<b>January</b>	4.21	3.09	(26.60)
<b>February</b>	4.46	5.61	25.78
<b>March</b>	5.50	8.63	56.91
<b>April</b>	5.75	10.13	76.17
<b>May</b>	3.99	5.46	36.84
<b>June</b>	2.51	2.84	13.15
<b>July</b>	2.72	2.16	(20.59)
<b>August</b>	3.20	2.30	(28.13)
<b>September</b>	3.35	3.62	8.06
<b>October</b>	2.45	3.25*	32.65
<b>November</b>	2.18	N/A	N/A
<b>December</b>	1.90	N/A	N/A
SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS			
AVR. EXCHANGE RATE FOR 2006 US\$1.00 = \$ 10.90 PESOS			
EXCHANGE RATE OCT. 18, 2007 US\$1.00 = \$ 10.81 PESOS			
*As of 3rd week October 2007			

## Wholesale Orange Prices

<b>WHOLESALE ORANGE PRICES (PESOS/KG)</b>				
Month	2005	2006	2007	Change % 06/07
<i>January</i>	1.35	2.06	2.18	5.83
<i>February</i>	1.38	1.80	2.28	26.67
<i>March</i>	1.44	2.00	2.37	18.50
<i>April</i>	1.49	2.35	3.15	34.04
<i>May</i>	1.67	2.93	3.71	26.62
<i>June</i>	2.74	3.49	4.58	31.23
<i>July</i>	3.61	5.03	6.43	27.83
<i>August</i>	3.99	4.71	6.80	44.37
<i>September</i>	3.35	3.72	5.79	55.65
<i>October</i>	2.36	2.42	4.04*	66.94
<i>November</i>	2.17	2.15	N/A	N/A
<i>December</i>	2.07	2.24	N/A	N/A
<b>SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS</b> <b>AVR. EXCHANGE RATE FOR 2006 US\$1.00 = \$ 10.90 PESOS</b> <b>EXCHANGE RATE OCTOBER 18, 2007 US\$1.00 = \$ 10.81 PESOS</b> <b>*Data as of 3rd week October 2007</b>				

## Grapefruit Wholesale Prices

<b>GRAPEFRUIT WHOLESALE PRICES BY MAIN PRODUCER STATES</b>						
<b>MONTH</b>	<b>MICHOACAN</b>		<b>TAMAULIPAS</b>		<b>VERACRUZ</b>	
	2006	2007	2006	2007	2006	2007
<i>JANUARY</i>			3.380	3.460	3.43	3.40
<i>FEBRUARY</i>			4.000	2.600	3.44	3.42
<i>MARCH</i>			4.210	3.000	3.49	3.65
<i>APRIL</i>			4.330	3.250	3.48	3.76
<i>MAY</i>	4.62		4.430	4.500	3.60	3.56
<i>JUNE</i>	4.90	4.31	4.620	4.750		
<i>JULY</i>	5.55	4.59	4.690	4.300		
<i>AUGUST</i>			4.410	4.840		
<i>SEPTEMBER</i>		4.81	3.700	4.460	3.60	4.18
<i>OCTOBER</i>			3.180	3.850	3.70	3.77
<i>NOVEMBER</i>					3.65	
<i>DECEMBER</i>					3.12	
<b>SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS</b> <b>AVR. EXCHANGE RATE FOR 2006 US\$1.00 = \$ 10.90 PESOS</b> <b>EXCHANGE RATE OCT. 18, 2007 US\$1.00 = \$ 10.81 PESOS</b> Θ Tamaulipas crop price at the wholesale market of San Luis Potosí						

Note: not all domestic grapefruit prices were reported  
 # (Jalisco, Mercado Felipe Angeles de Guadalajara)  
 Θ San Luis Potosí: Centro de Abasto de San Luis Potosí

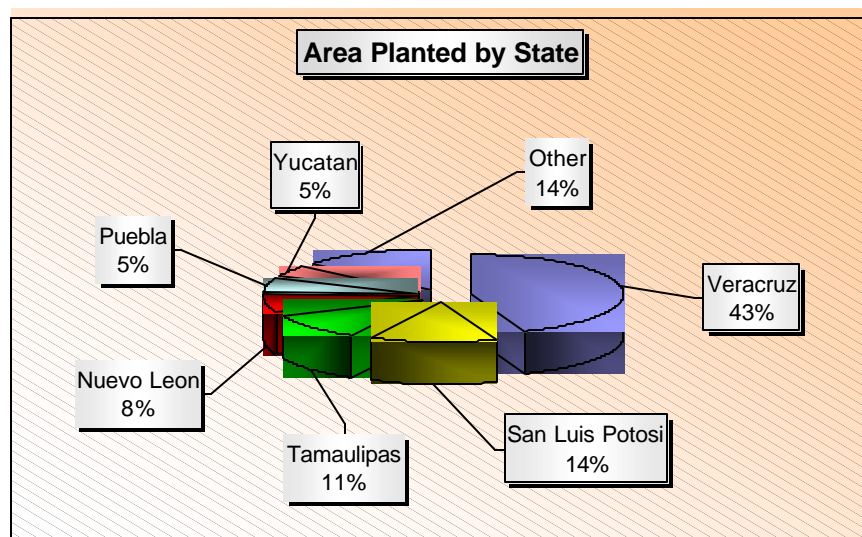
### SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

#### FRESH ORANGES

#### PRODUCTION

There is not yet an official forecast from the Government of Mexico (GOM) for MY 2007/08 (November-October) fresh orange production. However, a conservative estimate is approximately 4 MMT. Rain and wind from recent storms and hurricanes during August and October 2007 damaged some citrus areas in Veracruz (Martinez de la Torre, Tecolutla, Gutierrez Zamora), and some early variety oranges fell off the trees. Nevertheless, some producers estimate there could be more fruit at the end of MY 2007/08 as weather forced trees into flowering in the affected areas, and rainfall has benefitted most areas. Other citrus areas were not affected by the recent hurricanes. MY 2006/07 fresh orange production estimates were revised upward based on information from industry sources. Some producers estimate that harvest could have been slightly higher but some areas in northern Veracruz were affected by unfavorable weather, including Dean and Felix Hurricanes diminishing the last part of the crop. MY 2005/06 orange production was revised upward based on official estimates.

The Federal government and each state have been making an effort to record more accurate statistical information about the citrus area, and official numbers have been updated accordingly. Area planted and harvested was revised upward for MY 2006/07 based on official newly revised estimates. Data for MY 2005/06 was also revised based on official data. Area planted for oranges is not expected to increase for MY 2007/08. Orange producers say they do not expect an increase in the number of groves. In general, growers have been abandoning groves, or switching to other crops, due to high production costs, wide swings in fresh orange prices, and marketing problems. Furthermore, unfavorable weather conditions that prevailed during MY 2006/07 might deter growers from increasing the amount of area planted. Historical increases in orange production have been predominantly due to increased tree density, rather than an expansion in area planted.



Countrywide, orange yields for MY 2007/08 are forecast at 12.3 MT/ha. MY 2006/07 yields were 12.4 MT/ha. Orange yields differ widely depending on the production area. Typically, Veracruz yields range from 10 to 20 MT/ha. Yields in Nuevo Leon range from 12 to 15 MT/ha and, in San Luis Potosi, yields range from 7 to 13 MT/ha. This variance in yields is caused by many factors, including: weather, frequency of fertilizer and pesticide applications, tree density, and quality of the terrain.

The MY 2007/08 forecast for oranges destined for processing is approximately 580,000 MT. The estimates for oranges destined for processing for MY 2005/06 and 2006/07 were revised upward due to stronger than anticipated demand from the industry. The processing industry experienced a slowdown as a result of low international prices for frozen concentrate orange juice (FCOJ), which caused a decline in FCOJ production in Mexico in recent years. However, the market experienced an unprecedented surge in FCOJ prices during 2006 and 2007.

Production costs vary amongst citrus regions and producers. The average cost of production for a traditional grove with little intensive cultivation in Veracruz is approximately \$4,700 pesos/Ha (U.S. \$430.40/Ha), while the cost for a more intensively-farmed grove in Veracruz is \$9,000 pesos/Ha (U.S. \$824.17) or higher. Costs in Nuevo Leon range from \$9,000 to \$13,000 pesos/Ha (U.S. \$824 to \$1,190/Ha), significantly higher than those in Veracruz. Higher production costs are primarily attributed to irrigation costs, but can also be due to fertilization and pest control costs. These last two inputs account for approximately 40 percent of total production costs in Nuevo Leon, as this state is striving to be recognized as a low prevalence fruit fly area. Average field worker wages are about \$70 pesos (U.S. \$6.41) per day, but often producers have to pay \$90 pesos (U.S. \$8.24) per day or more to attract a sufficient number of workers.

Farm gate prices in Nuevo Leon were \$1,500 pesos MT (U.S.\$137/MT) for the Marsh variety during October 2007, and prices for Veracruz are expected to be \$800 to \$1,000/MT (U.S. \$73 to \$91.57/MT). Prices are higher compared to 2006 and are expected to continue for Valencia oranges, which are harvested in December. Afterwards prices could change, depending on the processing industry demand. Transportation costs from Veracruz to Mexico City are usually \$2,500 to \$3,000 pesos per 10 MT (U.S. \$227 to \$272.75 per 10 MT) for one-day delivery.

## CONSUMPTION

Fresh orange consumption for MY 2007/08 is forecast at 3.43 MMT. This represents a slight increase over MY 2006/07 reflecting population growth and affordable prices. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice. Final domestic consumption estimates, however, will depend on the final volume of oranges purchased by the processing industry and the margins between domestic orange prices and international juice prices. The fresh orange consumption estimate for MY 2005/06 and 2006/07 has been revised upward from previous forecasts with greater supplies of oranges for the processing industry. Wholesale Valencia orange prices for October 2006 start at approximately \$4.00/kg (U.S. \$0.36/kg).

## TRADE

Mexican orange exports for MY 2007/08 are forecast at 13,000 MT, which has been the average for exports. However, the final export figures will depend on U.S. demand and orange supplies from California and Florida. Exports for MY 2006/07 were revised upward reflecting an unusual demand from the U.S. due to the California freeze in early 2007. Most of Mexico's oranges that are exported to the United States are from Sonora, a state that produces exceptionally high-quality oranges. In recent years, producers in Nuevo Leon have

been increasing their orange exports to both the United States and Canada. Export estimates for oranges for MY 2005/06 were revised upward from previous estimates due to a higher-than-expected supply of oranges. The United States continues to be the largest export market for Mexican oranges. Under NAFTA, tariffs and TRQs for fresh oranges have already been eliminated between Mexico and the United States.

Mexico signed a trade agreement on April 1, 2005, with Japan that included a duty-free annual quota of 10 MT of oranges for the first two years (i.e., MY 2005/06 and 2006/07). In MY 2007/08, the quota will increase to 2,000 MT, and then increase 1,000 MT each year until it reaches 4,000 MT in MY 2009/10. In the agreement, duties for oranges had to be re-negotiated for 2007. Mexico negotiated an improved MFN duty for oranges that started April 2007. However, Mexico has not taken advantage of this market since the U.S. is still the largest market for Mexico due to proximity.

Mexican orange imports for MY 2007/08 are forecast at about 25,000 MT. Mexico is a price sensitive market, and U.S. orange prices are relatively high compared to the domestic product. The import estimate for MY 2005/06 and 2006/07 was revised upward due to stronger demand from the border region.

## **MARKETING**

U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more sensitive to price than quality. This is one of the main reasons for limited exports of U.S. citrus products. Because of the excellent quality, U.S. oranges command a price four to five times higher than Mexican prices. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price. Due to phytosanitary restrictions, only citrus fruit coming from California, Texas, and Arizona can be exported to Mexico.

## **FRESH CITRUS, OTHER**

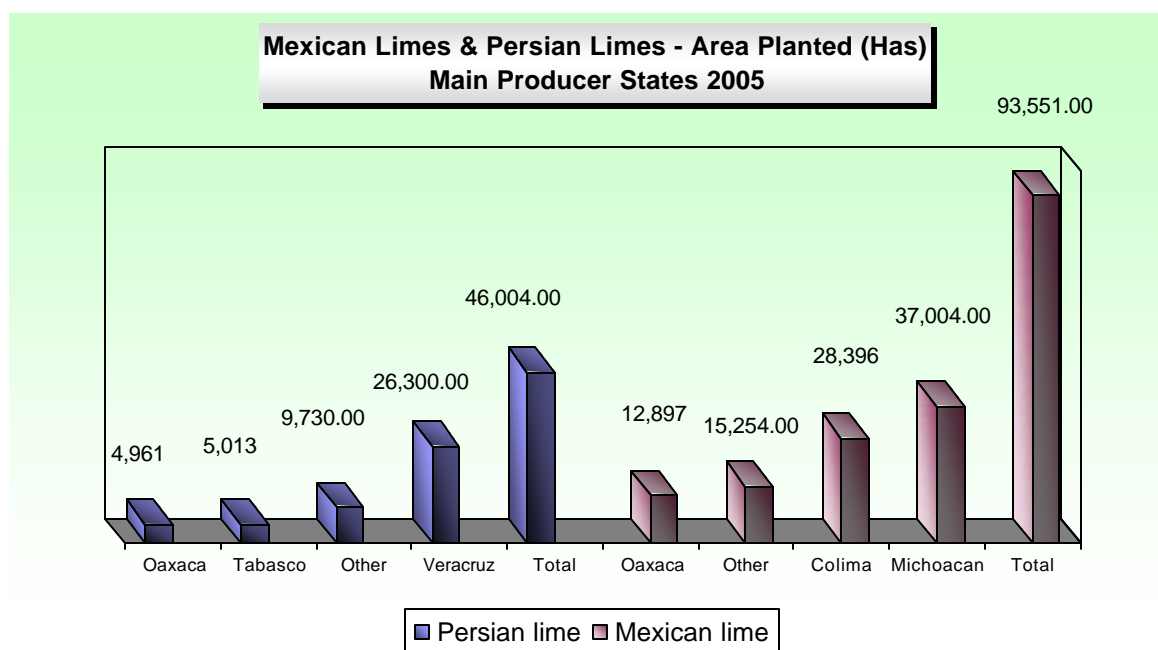
## **PRODUCTION**

Key limes and Persian limes are economically significant for Mexico. Mexican Key limes are grown mainly in the Pacific coast; in the states of Colima, Michoacan, Guerrero, and Oaxaca. Most Persian limes are grown in a micro-climate in northern Veracruz, followed on a smaller scale by Tabasco, Oaxaca, Puebla, and Yucatan.

Although there are no official GOM estimates, total MY 2007/08 production for both limes is forecast at 2.0 MMT, due to expected good weather conditions. Although rainfall and strong winds damaged some of the Persian limes in northern Veracruz resulting in some losses, producers have indicated it was not strong enough to cause serious damage. Some of the fruit for the Oct/Dec season might not achieve export quality for that region only. MY 2006/07 production estimates were revised upward due to more trees coming into production and areas recuperating from past storms. Excess rainfall resulting from the hurricanes had, at times, prevented the harvesting of limes, thereby driving up prices. MY 2005/06 production was revised upward based on final official data.

Area planted to both Persian and Key limes has increased in Mexico, due to the fact that limes command high prices on the international market and generate few phytosanitary concerns. Production of Persian limes planted in Veracruz has grown at a faster rate than Key limes. In fact, many producers have replaced orange and grapefruit groves with Persian limes in order to take advantage of strong international demand and higher prices. Key lime planted area has increased at lower rates due to swings in the domestic price.

Approximately, 33 percent of total area planted is Persian limes while 67 percent is Key limes. Michoacan has an excellent winter window (December – February), which allows its Key limes to hit the domestic market first; therefore, planted area has tended to expand more in this state. According to producers, the domestic market is nearly saturated with Key limes, and therefore a substantial increase in Michoacan's area planted could lower prices for Key limes in the international market. Therefore, area planted for MY 2006/07 is forecast to continue growing but at a slower rate. Estimates for area planted and harvested for MY 2006/07 were revised upward from previous estimates. However, there were some increases in area planted in Veracruz, Michoacan and Colima. Area planted and harvested for MY 2005/06 was adjusted upward based on official estimates.



Nearly 20 percent of the Persian lime groves in Veracruz use micro-jet irrigation, or other irrigation systems, and produce year-round. Most of the irrigated Key lime groves are in the states of Michoacan and Colima, and are also able to produce year-round. In contrast, almost all the planted area for Key lime in Guerrero and Oaxaca is non-irrigated. In Colima, over half of the Key lime groves have coconut palm trees planted in between Key lime trees in order to increase producer revenue.

The Persian lime trade tends to be dominated by large producers who have achieved efficiencies of scale, and thereby have reduced production costs. Persian lime production costs average from \$10,000 pesos/Ha to \$12,000 pesos/Ha (U.S. \$915.75 to \$1,099.00/Ha) or more. These costs are due to higher prices for imported inputs such as fertilizers, pesticides, and other agrochemical products. Well-tended areas can have production costs as high as \$15,000 pesos/Ha (U.S. \$1,373.00/Ha). Transportation costs from Veracruz to Mexico City are usually \$3,600 to \$4,200 pesos/truck (U.S. \$330.00 to \$384.60/truck), and delivery time averages about 8 hours. The cost of production for Key limes varies according to the cultural practices and technology. In the most important Key lime producing states (Oaxaca, Colima and Michoacan), production costs can vary from \$7,300 pesos/Ha to \$16,600 pesos/Ha (U.S. \$668.50 to \$1,520.14/Ha) for the well-tended areas.

Persian and Key lime yields differ widely depending on production conditions. The average yields for Persian limes in Veracruz range from 8 to 16 MT/Ha, depending on cultural practices, but some yields are as high as 25 MT/Ha. Key lime yields average between 7 to 12 MT/Ha, with a few well-tended groves reaching 30 MT/Ha.



Grower prices for Persian limes range from \$400 to \$800 pesos/MT (U.S. \$36.60 to \$73.26/MT) for the domestic market, and \$600 to \$3,000 pesos/MT (U.S. \$54.50 to \$272.70/MT) for the export market during January to April. Grower prices for Key limes fluctuate more than prices for Persian limes, depending on the season and the producing state. On average, Key lime grower prices range from \$800 to \$3,000 pesos /MT (U.S. \$73.26 to \$274.72/MT). Michoacan production is geared towards the winter season (October/February), while production from Colima, Oaxaca, and other states cover the rest of the year.

## CONSUMPTION

Domestic consumption of both Key and Persian limes in Mexico depends largely on prices. Consumption for MY 2007/08 is forecast at 1.2 MMT. However, this data will depend on the volume that will be exported. Consumption for MY 2006/07 was revised upward, 9 percent, due to an increase in production and a longer period of lower prices, which spurred consumer demand. Lime consumption estimates for MY 2005/06 were adjusted based on available information.

Persian limes that do not meet the higher quality requirements demanded for the export market will be consumed domestically. Most of the Key limes go to the fresh domestic market, although exports have been increasing recently. In general, approximately 16 to 20 percent of total Key lime production goes to processing. Producers from Colima and Michoacan indicate that approximately 30 percent of their limes go to processors. Official information on the processing industry, however, is unavailable. Approximately, 50 to 60 percent of Persian limes from Veracruz go to the export market and the rest go to the fresh market and processing plants. However, this balance depends on U.S. demand.

Mexican Key limes and Persian limes compete for the same market. When Key limes and Persian limes are both present in the domestic market during peak season, prices are relatively low. When the Persian lime harvest season is at its peak (June to September), prices for both tend to fall. After the major Persian lime export season, prices for Persian limes increase and remain high until April or May. When exports of Persian limes decreases, both crops compete for the fresh domestic market. Key limes from Michoacan, Colima, and Oaxaca are sold on the wholesale market in 18-20/kg boxes; those from Guerrero are sold in 20-22/kg bags. Persian limes are sold in the wholesale market in 50-100/kg bags.

## TRADE

Persian and Key lime exports for MY 2007/08 are forecast to be slightly lower compared to MY 2006/07 as some limes were damaged during the August/October 2007 hurricanes and could not meet export quality standards. However, it is expected that international demand will remain strong. Export estimates for MY 2005/06 and MY 2006/07 were revised upward compared to previous estimates due to international demand stronger than anticipated. According to producers, Persian limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding into new markets in Japan and Europe. MY 2004/05 exports remain unchanged. International prices for Persian limes reach U.S. \$20-\$30 per 40-pound box during winter. MY 2005/06 prices for Persian limes on the international market were unusually high during the winter months, as much as U.S. \$50 per box, but decreased to U.S. \$4 to \$6 per box at the end of the season in October 2006.

Lime imports continue to be minimal due to ample domestic supplies. MY 2007/08 imports are forecast at 1,000 MT. Data for MY 2005/06 and 2006/07 remains unchanged. Mexico's tariff rate on imported limes from the United States is zero under NAFTA.

## FRESH GRAPEFRUIT

### PRODUCTION

Although there is no official GOM forecast for grapefruit production for MY 2007/08, producers believe production will be higher compared to MY 2006/07. Grapefruit production is forecast at 380,000 MT, nearly a two percent increase from MY 2006/07 production. The alternate production cycle and expected better weather conditions will help overall yields and fruit quality. MY 2006/07 production was revised upward from the previous forecast due to better than expected yields. However, grapefruit production in northern Veracruz experienced a fruit drop due to the strong winds of Hurricane Dean and Felix in August and October, respectively. Michoacan and Nuevo Leon, on the other hand, were not affected the same as other grapefruit producing states. Nevertheless, grapefruit production for MY 2005/06 was revised upwards due to more acreage coming into production and relatively favorable weather conditions.

Area planted has recently fluctuated from 17,000 to 18,000 hectares, depending on price variations and weather. Area planted for MY 2007/08 is expected to remain close to 17,470 hectares as the rate of growth in newly developed areas has slowed.

Area planted for MY 2005/06 and 2006/07 was revised downward from previous estimates due to the same slowdown in planted area. However, area harvested was revised upward as more trees came into production, mainly in the state of Michoacan. Although Veracruz, the state with the largest grapefruit production, has increased area planted, abandoned areas in other parts of the state have offset this increase. Costs of production for grapefruit fluctuate between \$8,000 to \$11,000 pesos per hectare, (U.S. \$732.60 to \$1,007.32/Ha) or more. These costs are mainly attributable to higher prices for imported inputs such as fertilizers, pesticides, and other agrochemical products.

There are two types of grapefruits planted in Mexico: the red table varieties produced in Tabasco, Campeche, Michoacan, Nuevo Leon, and Veracruz are mainly for export as fresh fruit and peeled slices to the United States and Europe; and the white fleshed varieties produced in Tamaulipas and Veracruz, which are used mainly for juice production or for peeled slices. According to growers, planted red varieties grew because of an increased export demand.

According to growers and the industry, about 20 percent of grapefruit production is destined for processing. However, that number largely depends on demand for peeled fruit on the international market and demand for juice on the domestic and international market. The MY 2007/08 forecast for grapefruit destined for processing is 100,000 MT, about 10 percent less than MY 2006/07, due to a lower demand from the juice industry. The estimates for MY 2006/07 were revised downward from previous estimates due to an expected lower demand for grapefruit juice from the United States. Demand from the processing industry has more or less remained stable. Estimates for MY 2005/06 remain unchanged. However, this information is difficult to verify since it is not published by official sources, and companies treat it as confidential information.

Overall average yields for MY 2007/08 are forecast at 24 MT/Ha, higher compared to MY 2006/07, due to the alternate production cycle and expected good weather conditions. Average yields for MY 2006/07 are estimated at 23.9 MT/Ha. An overall normal yield for grapefruit is approximately 23 MT/Ha. Veracruz accounts for about 58 percent of Mexican grapefruit production and has the highest yields in the country (between 20 to 30 MT/Ha). Michoacan follows with 14 percent of production and yields between 9 to 15 MT/Ha. Nuevo



Leon accounts for almost eight percent of total production of grapefruit and generally has yields between 16 to 21 MT/Ha. In other states, yields vary from 7 to 15 MT/Ha.

Grapefruit prices for 2007 continue to be relatively high due to greater demand from the fresh market and the processing industry, which includes the juice and the packaged industry. Grower prices in Veracruz for the red varieties averaged between \$1,000 and \$2,000 pesos/MT (U.S. \$91.57 to \$183.15/MT) for MY 2006/07. However, due to weather related issues with hurricanes in Veracruz, grapefruit during October 2007 was about \$2,500 pesos/MT (U.S. \$229/MT) or more. The grower price of the white variety of grapefruit is cheaper at about \$600 to \$800 pesos/MT (U.S. \$54.95 to \$73.26/MT). Although prices tend to drop by November, prices could swing upwards for the winter due to demand and less availability of fruit during the last two months of 2007. Michoacan has developed areas with red varieties that can be harvested in June/July, and grower prices tend to be higher than Veracruz grower prices because fruit gets to the market earlier in the season. During MY 2006/07, processing plants paid about \$900 to \$1,300 pesos per ton (U.S. \$82.40 to \$119.00 per ton) for white varieties. The industry limited juice production because it is more profitable to import it; therefore, lowering the use of grapefruit. The industry bought fresh grapefruit during MY 2006/07 at about \$700 to \$900 pesos per ton (U.S. \$64.10 to \$82.41 per ton).

## CONSUMPTION

Fresh grapefruit consumption for MY 2007/08 is forecast at 276,000 MT, or 7.8 percent more compared to MY 2006/07, due to more supplies of fruit and good prices. Fresh grapefruit consumption estimates for MY 2005/06 and MY 2006/07 were revised upward from previous estimates due to a strong consumer demand for low calorie foods.

Wholesale prices for the red grapefruit variety for November 2007 in Mexico City started at approximately \$3.50/kg (U.S. \$0.32/kg) for the Veracruz crop, a slight decrease compared to last year's price of \$3.65/kg (U.S. \$0.36/kg). Prices for Nuevo Leon fruit is slightly higher at \$4.50/kg (U.S. \$ 0.41/kg). Growers indicate there is no premium on quality since consumers are more interested in lower prices. Since Michoacan can harvest earlier than Veracruz, Michoacan producers can often command higher prices in the domestic market. Michoacan wholesale prices for July/September ranged from \$4.60 pesos/kg to \$4.80/Kg (U.S. \$0.42 to \$0.43/kg).

## TRADE

Grapefruit exports for MY 2007/08 are forecast to remain near 12,000 MT due to some hurricane damage in Veracruz. According to growers, demand from Europe is growing steadily since their sources in South Africa have diverted product to other countries, and as a result, exports for MY 2005/06 and 2006/07 were revised upward due to increased demand. The best market window is October/November.

Grapefruit imports for MY 2007/08 are forecast at 8,000 MT, but imports could grow depending on demand from the processing industry. Imports for MY 2005/06 and 2006/07 were revised upward due to higher demand from the processing industries. In general, exports to Mexico will still be relatively insignificant. According to sources, most of the imported grapefruit from the United States is further processed for re-export to the U.S. and European markets.

## **FROZEN CONCENTRATE ORANGE JUICE**

### **PRODUCTION**

Reliable frozen concentrate orange juice (FCOJ) production numbers are difficult to obtain since there is no official statistical data available. Most industries tend to keep partial information, most of which is proprietary. According to industry sources, FCOJ production for MY 2008 (January-December) is forecast at 58,000 MT, as long as enough fresh oranges are available for the processing industry. Juice production depends heavily on the international price of FCOJ. Higher prices in the international market enable processors to increase the prices paid to fruit producers. FCOJ future contracts for CY 2008 are relatively good, currently above U.S. \$1.30/lb. Prices for CY 2007 were the highest in recent years, ranging from U.S. \$1.80/lb to U.S. \$2.00/lb. The present situation of higher FCOJ prices will lead to higher industry profit margins. Naturally, limited supply also tends to drive up prices for fresh fruit. The industry bought fruit in the 2007 season at approximately \$1,500 to \$1,800 pesos/ton (U.S. \$137.36 to 164.83/MT) compared to \$900 to \$1,250 pesos/ton (U.S. \$82 to \$113/ton) in 2006. Prices are expected to remain similar for MY 2008. The FCOJ production estimates for MY 2006 and 2007 were revised upward due to better international prices for FCOJ and greater international demand.

Due to financial problems within the processing industry, there has been a concentration of ownership. However, the industry is growing larger; previously, from seven juice plants to now approximately 18 plants working.

### **CONSUMPTION**

The industry believes that, in general, FCOJ consumption has remained stable between 5,500 and 6,000 MT, but demand for orange juice in beverages with orange flavorings continues to increase. However, the international market continues to drive consumption. Therefore, MY 2008 FCOJ consumption is forecast at 6,500 MT, same as in MY 2007. The majority of Mexican consumers prefer freshly squeezed juice over processed orange juice. Consumption for MY 2006 was revised downward since the industry exports to the international market first followed by the domestic market. Most of the orange juice produced in Mexico goes to the export market. According to processors, the need to have a large carryover of FCOJ from one year to the other has decreased, approximately 1,000 MT.

### **TRADE**

Exports of FCOJ for MY 2008 are forecast at 52,500 MT. Final export numbers will depend on fruit availability and international prices. Due to continued strong international prices, exports could increase if demand from the Florida processing industry remains strong. FCOJ exports for MY 2006 and 2007 were revised upward due to strong international demand and higher prices. The United States is the main market for Mexican FCOJ, followed by Japan and European countries. According to industry sources, Mexico is exporting more juice to Europe and Japan in order to take advantage of the lower tariffs it enjoys under their respective trade agreements. FCOJ is imported to cover industry needs for mixing purposes, as well as to meet demand from hotels and restaurants. Nonetheless, these imports are still marginal compared to domestic production. FCOJ imports for MY 2008 are forecast at 1,000 MT, the same as in MY 2007. Imports for MY 2006 were revised downward as the industry demand was not as strong.

FCOJ is one of the few remaining agricultural products still subject to a tariff and TRQ under NAFTA. There is currently a 40 million gallon quota on FCOJ from Mexico. The 2007 in-

quota duty is zero, while the over-quota duty is 1.572 U.S. cents per liter. In 2008, this TRQ will be completely phased out in accordance with the NAFTA.

Under Mexico's free trade agreement with the European Union (EU), the EU allows entrance 30,000 MT of FCOJ from Mexico with a tariff set at 25 percent below the 20 percent MFN duty. Mexico will also ship product to Japan under the trade agreement that allows entrance of 3,850 MT at one-half of the 20 percent MFN tariff duty, or 10 percent. During MY 2006, Mexico exported approximately 20,000 MT to the EU and Japan.